



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MARION COUNTY CLERK**

Calendar Year 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MARION COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Marion County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$10,715 from the prior calendar year, resulting in excess fees of \$59,064 as of December 31, 2000. Revenues increased by \$43,591 from the prior year and disbursements increased by \$54,306.

Report Comment:

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$36,942 To Protect Deposits

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable David R. Hourigan, Marion County Judge/Executive

Honorable Samuel Edward Lee, III, Marion County Clerk

Members of the Marion County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Marion County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable David R. Hourigan, Marion County Judge/Executive
Honorable Samuel Edward Lee, III, Marion County Clerk
Members of the Marion County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$36,942 To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 21, 2001

MARION COUNTY
SAMUEL EDWARD LEE, III, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

State Grant		\$	400
State Fees For Services			7,929
Fiscal Court			8,595
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	390,900	
Usage Tax		879,258	
Tangible Personal Property Tax		878,846	
Licenses-			
Fish and Game		2,892	
Marriage		4,657	
Occupational		8,753	
Entertainment		120	
Deed Transfer Tax		33,948	
Delinquent Tax		62,216	2,261,590
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	13,261	
Real Estate Mortgages		22,604	
Chattel Mortgages and Financing Statements		57,564	
Powers of Attorney		1,068	
All Other Recordings		18,163	
Charges for Other Services-			
Candidate Filing Fees		1,020	
Copywork		4,050	
Notary Fees		135	117,865
Other:			
Reimbursements	\$	5,034	
Miscellaneous		1,092	6,126
Interest Earned			6,052
Gross Receipts		\$	2,408,557

MARION COUNTY
SAMUEL EDWARD LEE, III, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	301,501	
Usage Tax		852,842	
Tangible Personal Property Tax		327,994	

Licenses, Taxes, and Fees-

Fish and Game		2,399	
Delinquent Tax		9,306	
Legal Process Tax		17,209	
Candidate Filing Fees		300	
		<hr/>	\$ 1,511,551

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	71,547	
Delinquent Tax		5,684	
Deed Transfer Tax		32,250	
Occupational Licenses		6,948	
		<hr/>	116,429

Payments to Other Districts:

Tangible Personal Property Tax	\$	440,703	
Delinquent Tax		31,290	
		<hr/>	471,993

Payments to Sheriff

998

Payments to County Attorney

9,359

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	127,486	
Part-Time Salaries		2,400	

Employee Benefits-

Employer's Share Social Security		14,122	
Employer's Paid Health Insurance		10,764	

Contracted Services-

Printing and Binding		4,648	
Microfilming		400	

MARION COUNTY
SAMUEL EDWARD LEE, III, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Materials and Supplies-		
Election Supplies	\$	123
Other Charges-		
Conventions and Travel		4,069
Dues		450
Postage		5,191
Refunds		5,034
Miscellaneous		176
		<u>174,863</u>
Total Disbursements		<u>\$ 2,285,193</u>
Net Receipts		\$ 123,364
Less: Statutory Maximum	\$	59,306
County Clerk's Training Incentive		<u>1,394</u>
		<u>60,700</u>
Excess Fees		\$ 62,664
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 2000		\$ 59,064
Payments to County Treasurer -		
January 29, 2001	\$	55,000
September 21, 2001		<u>4,064</u>
		<u>59,064</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

MARION COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent for the first six months of the year and 7.17 percent for the last six months of the year. Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

MARION COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 10, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$36,942 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 10, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by pledging depository institution in the county official's name	\$ 250,000
Uncollateralized and uninsured	<u>36,942</u>
Total	<u><u>\$ 286,942</u></u>

Note 4. Grant

In calendar year 1999, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$400. Funds totaling \$0 were expended during calendar year 1999 leaving an unexpended grant balance of \$400 as of December 31, 1999. During calendar year 2000, the County Clerk received additional grant funds in the amount of \$21,936 and earned interest on these grant funds totaling \$234. Funds totaling \$400 were expended during calendar year 2000, leaving an unexpended balance of \$22,170 as of December 31, 2000.

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COMMENT AND RECOMMENDATION

MARION COUNTY
SAMUEL EDWARD LEE, III, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The County Clerk Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$36,942 To Protect Deposits

On April 10, 2000, \$36,942 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response:

None.

PRIOR YEAR:

In the prior year audit, we reported that the County Clerk should have required depository institutions to pledge additional collateral to protect deposits. This finding was not corrected and is commented on in the current year audit report.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Marion County Clerk for the year ended December 31, 2000, and have issued our report thereon dated September 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marion County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation section.

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$36,942 To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marion County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 21, 2001

